

The complaint

X complains that Vanquis Bank Limited lent irresponsibly when it approved their credit card application and later increased the limit.

What happened

The background to this complaint and my initial conclusion were set out in a provisional decision. I said:

X applied for a Vanquis credit card in January 2022. In their application, X said they were unemployed. Vanquis used a service provided by the credit reference agencies called CATO to check X's current account turnover which returned a monthly income figure of £1,080 a month. A credit search found default information that was around 66 months old. The credit file showed no other active credit in X's name although a utility account with an outstanding balance of £79 was found. No recent missed payments were noted on X's credit file.

Vanquis carried out an affordability assessment using the income figure of £1,080 a month. Vanquis made deductions for X's housing costs and general living expenses and says X had a disposable income of £395 a month. Vanquis approved X's application and issued a credit card with a £500 limit.

X used the credit card and Vanquis went on to increase the limit as follows:

Event	Date	Limit
App	Jan-22	£500
CLI1	May-22	£850
CLI2	Jul-23	£1,450
CLI3	Apr-24	£2,250

X's account fell into arrears shortly after CLI3 was approved and it was ultimately closed at default.

More recently, representatives acting on X's behalf complained that Vanquis lent irresponsibly and it issued a final response. Vanquis said it had carried out the relevant lending checks before approving X's application and increasing the credit limit and didn't agree it lent irresponsibly.

An investigator at this service looked at X's complaint. They thought Vanquis completed reasonable and proportionate checks before approving X's application and CLI1 and wasn't persuaded it lent irresponsibly. The investigator wasn't persuaded proportionate checks were completed before CLI2 and CLI3 and asked for copies of X's bank statements so they could get a clearer picture of their circumstances. Unfortunately, X no longer had access to the relevant account so was unable to source the bank statements. The investigator was ultimately not persuaded Vanquis lent irresponsibly and didn't uphold X's complaint. X's representatives asked to appeal and pointed to the increased level of unsecured debt in the

two years X had the credit card and high credit limit utilisation on their Vanquis credit card. As X's representatives asked to appeal, their complaint has been passed to me to make a decision.

What I've provisionally decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Before agreeing to lend or increasing the credit limit, the rules say Vanquis had to complete reasonable and proportionate checks to ensure X could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;*
- The total sum repayable and the size of regular repayments;*
- The duration of the agreement;*
- The costs of the credit; and*
- The consumer's individual circumstances.*

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've set out the information obtained by Vanquis when considering X's application above. I have some concerns as X confirmed they were unemployed and no income figure was recorded. Vanquis used CATO and obtained a monthly income figure of £1,080. But, as X's representatives have said, CATO isn't always an accurate way of verifying a consumer's income. With that said, I can see Vanquis used reasonable estimates for X's regular outgoings in its affordability assessment. And X's credit file showed no active debts in their name or recent missed payments. The defaults were around five and a half years old at the point of application so historic in nature.

I think it's important to note the initial credit limit of £500 was low and X had no other debts at the time. Overall, I think the lending checks were proportionate to a new credit card with a limit of £500. And I think the decision to approve the application was reasonable based on the information Vanquis obtained. I'm sorry to disappoint X but I haven't been persuaded Vanquis lent irresponsibly when it approved their application and issued a credit card with a £500 limit.

CLI1 was approved four months after X's application. At the time, there had been no overlimit or late fees applied. X's account balance was between 40% and 76% of the initial £500 credit limit during that time which indicates X wasn't reliant on the credit card to make ends meet each month. And the credit file information shows X hadn't taken on any other new debts or incurred any new adverse credit.

X was also asked to complete an income and expenditure assessment which confirmed they were now working with a monthly income of £1,400. X confirmed general living expenses of £150 and rent of £100 a month. Vanquis used a total outgoings figure of £584 a month in its affordability assessment.

Given X hadn't taken on new debts, the way they'd managed their Vanquis account to date

and relatively small increase in the credit limit to £850, I'm satisfied the level and nature of checks it completed were reasonable and proportionate. And, on balance, I'm satisfied the decision to approve CLI1 was reasonable based on the information Vanquis obtained.

Before approving CLI2 Vanquis asked X to complete another income and expenditure assessment. X gave a monthly income of £1,800 and general living expenses of £100 plus £300 for rent. I think those figures were unusually low but I can see Vanquis used a figure of £800 a month instead which feels more realistic and reasonable.

I can see X had obtained some other credit since CLI1 with an outstanding balance of around £3,500. But there was no new adverse credit or recent missed payments on X's credit file. In addition, while X's Vanquis card use was higher, it stood around 85% of the credit limit in the preceding months. And there were no late fees or overlimit charges applied to X's account.

Taking all the above into account, I think Vanquis' lending checks were reasonable and proportionate to the credit limit increase to £1,450. And I'm satisfied the decision to approve CLI2 was reasonable based on the information Vanquis obtained.

In my view, things appear to have changed for X before CLI3 was approved. I can see a late payment was recorded in January 2024 for X's Vanquis card. And X's balances were now significantly higher at around 95% of the Vanquis credit limit. X's other debts had also increased substantially by this point, reaching £6,276, an increase of around £2,500 from CLI2. I can also see X had at least two missed payments recorded on their credit file in the preceding six months.

In addition, the affordability assessment completed by Vanquis gave an income of £1,800, general living expenses of £150 and rent of £250. I think those figures were likely unreasonably low. For CLI1 and CLI2 Vanquis used its own estimates for X's outgoings which were significantly higher. There was no "total expenditure" figure used by Vanquis for CLI3 and it appears to have relied on the figures provided.

I'd have liked to review X's bank statements for the preceding months but they aren't available. So I've reached my provisional decision based on the available information. In my view, the decision to approve CLI3 taking the limit to £2,250 in April 2024 was unreasonable. Given X's high Vanquis utilisation, late payment in January 2024, significant increase in other unsecured debts and recent multiple missed payments on their credit file, I think Vanquis should've seen they were borrowing at an unsustainable rate and unlikely to be able to sustainably afford increased repayments. In my view, Vanquis lent irresponsibly when it approved CLI3. As a result, I intend to direct Vanquis to refund all interest, fees and charges applied to balances over £1,450 from April 2024 onwards.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for X in the circumstances of their complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision. X's representatives confirmed they were willing to accept.

Vanquis responded and said its lending decision for CLI3 was in line with the relevant lending rules. Vanquis also said that at the time of CLI3 X had a good payment record with it with only one missed payment since their application was approved. Vanquis said there

were no other signs of financial distress in terms of X's account use. Vanquis added that it didn't rely on X's self reported expenditure and applied internal benchmarks and models to assess affordability. Vanquis also said X's credit file didn't show recent signs of adverse events directly linked to financial hardship. Vanquis advised it remained of the view proportionate checks were completed and its decision to lend from CLI3 was reasonable.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I can see Vanquis' response to my provisional decision revisits much of the information provided in the original complaint file. I've reviewed the case file again in full, focusing on the lending checks completed by X and the information it had available before approving CLI3. Having done so, I haven't been persuaded to change my view of X's complaint.

I note Vanquis says X's account had a good record of payment. But, the account had a late or missed payment just four months before CLI3 was approved. And X's account use had gone from around 85% utilisation before CLI2 to over 95% before CLI3 indicating X was more reliant on it. Further, X's credit file shows an increase in their other unsecured debts and other missed payments.

I note Vanquis' response says that before CLI3 it used internal benchmarks and affordability models for X's outgoings. But that's not evidenced in the case file provided that only shows the self reported outgoings before CLI3, unlike CLI1 and CLI2. No additional evidence was supplied by Vanquis to show it used benchmark outgoings before CLI3.

Whilst I think there's an argument that one of the above issues may not have caused a barrier to additional lending, taken together, I think they show X was borrowing more and experiencing issues sustainably maintaining their payments. Overall, I remain of the view the decision to approve CLI3 wasn't reasonable based on the information available and am upholding X's complaint.

My final decision

My decision is that I uphold X's complaint and direct Vanquis Bank Limited to settle as follows:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £1,450 after April 2024.
- If the rework results in a credit balance, this should be refunded to X along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Vanquis should also remove all adverse information recorded after April 2024 regarding this account from X's credit file.
- Or, if after the rework the outstanding balance still exceeds £1,450, Vanquis should arrange an affordable repayment plan with X for the remaining amount. Once X has cleared the outstanding balance, any adverse information recorded after April 2024 in relation to the account should be removed from their credit file.

If Vanquis has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*HM Revenue & Customs requires Vanquis to deduct tax from any award of interest. It must give X a certificate showing how much tax has been taken off if they ask for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 11 November 2025.

Marco Manente
Ombudsman